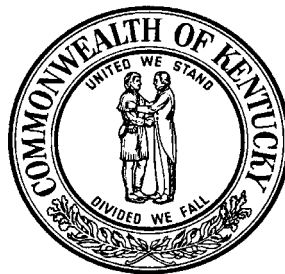


**LETTER FROM THE AUDITOR OF PUBLIC ACCOUNTS  
CABINET FOR FAMILIES AND CHILDREN**

**In Reference to the Statewide Single Audit  
of the Commonwealth of Kentucky**

**For the Year Ended June 30, 2003**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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C R I T L U A L L E N  
A U D I T O R O F P U B L I C A C C O U N T S

James W. Holsinger, Jr., MD, Secretary  
Cabinet for Health and Family Services

**MANAGEMENT LETTER**

Pursuant to KRS 43.090 (1), which states, "[i]mmediately upon completion of each audit and investigation, except those provided for in KRS 43.070, the Auditor shall prepare a report of his findings and recommendations," we are providing this letter to the Cabinet for Health and Family Services to comply with KRS 43.090.

This letter presents the results of the work performed at the Cabinet for Families and Children, as part of our annual audit of the Commonwealth of Kentucky's financial statements. Executive Order 2003-064 has reorganized the Cabinet for Families and Children into the Cabinet for Health and Family Services as of December 23, 2003.

In planning and performing our audit of the basic financial statements of the Commonwealth for the year ended June 30, 2003, we considered the Cabinet for Families and Children's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving the internal control and its operation that we considered to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Cabinet for Families and Children's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily disclose all matters that might be reportable conditions. In addition, because of inherent limitations in internal control, errors or fraud may occur and not be detected by such controls.



James W. Holsinger, Jr., MD, Secretary  
Cabinet for Health and Family Services

As part of our audit of the Commonwealth's basic financial statements, we also performed tests of the Cabinet for Families and Children's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. The results of those tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Some findings are Other Matters that we have included in this letter to communicate with management in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*.

Included in this letter are the following:

- ◆ Acronym List
- ◆ Findings and Recommendations (Reportable Conditions and Other Matters)
- ◆ Summary Schedule of Prior Audit Findings

We have issued our Statewide Single Audit of the Commonwealth of Kentucky that contains the Cabinet for Families and Children's findings, as well as those of other agencies of the Commonwealth. This report can be viewed on our website at [www.kyauditor.net](http://www.kyauditor.net).

This letter is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts



CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

James W. Holsinger, Jr., MD, Secretary  
Cabinet for Health and Family Services

**MANAGEMENT LETTER**

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This letter presents the results of the work performed at the Cabinet for Families and Children, as part of our annual Statewide Single Audit of the Commonwealth of Kentucky. Executive Order 2003-064 has reorganized the Cabinet for Families and Children into the Cabinet for Health and Family Services as of December 23, 2003.

In planning and performing our audit over compliance with requirements applicable to major federal programs, for the year ended June 30, 2003, we considered the Cabinet for Families and Children's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on compliance with requirements applicable to each major federal program and to report on internal control over compliance in accordance with Office of Management and Budget (OMB) Circular A-133 and on the Schedule of Expenditure of Federal Awards (SEFA).

We noted certain instances of noncompliance with requirements applicable to major federal programs we considered to be reportable under standards established by OMB Circular A-133.

We noted certain matters involving internal control over compliance and its operation that we considered to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over compliance that, in our judgment, could adversely affect the Cabinet for Families and Children's ability to administer a major federal program in accordance with the applicable requirements of OMB Circular A-133.



James W. Holsinger, Jr., MD, Secretary  
Cabinet for Health and Family Services

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily disclose all matters that might be reportable conditions.

In addition, because of inherent limitations in internal control, errors or fraud may occur and not be detected by such controls.

As part of our audit of the Commonwealth's basic financial statements, we also performed tests of the Cabinet for Families and Children's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. The results of those tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Some findings are Other Matters that we have included in this letter to communicate with management in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*.

Included in this letter are the following:

- ◆ Acronym List
- ◆ Schedule of Expenditures of Federal Awards
- ◆ Notes to the Schedule of Expenditures of Federal Awards
- ◆ Findings and Recommendations (Federal Noncompliance, Reportable Conditions, and Other Matters)
- ◆ Summary Schedule of Prior Audit Findings

We have issued our Statewide Single Audit of the Commonwealth of Kentucky that contains the Cabinet for Families and Children's findings, as well as those of other agencies of the Commonwealth. This report can be viewed on our website at [www.kyauditor.net](http://www.kyauditor.net).

This letter is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts



## **LIST OF ABBREVIATIONS/ACRONYMS**

ACF	Administration for Children and Families
ADDs	Area Development Districts
APA	Auditor of Public Accounts
CCDBG	Child Care and Development Block Grant
CFC	Cabinet for Families and Children
CFDA	Catalog of Federal Domestic Assistance
CFR	Code of Federal Regulations
CHFS	Cabinet for Health and Family Services
CHS	Cabinet for Health Services
CMB	Contracts Management Branch
Commonwealth	Commonwealth of Kentucky
CSE	Child Support Enforcement
DFS	Division of Family Support
DHHS	Department for Health and Human Services
DLG	Department for Local Government
DOB	Date of Birth
ERA	Employment Retention Assistance
FTP	File Transfer Protocol
FY	Fiscal Year
GOT	Governor's Office for Technology
HTTP	Hypertext Transfer Protocol
HTTPS	Hypertext Transfer Protocol over Secure Socket Layer
IRC	Internet Relay Chat
KAMES	Kentucky Automated Management and Eligibility System
KCCMS	Kentucky Child Care Management System
KDE	Kentucky Department of Education
KRS	Kentucky Revised Statutes
K-TAP	Kentucky Transitional Assistance Program
KWP	Kentucky Works Program
LAN	Local Area Network
LSA	Local Security Authority
NA	Not Applicable
OIG	Office of Inspector General
OMB	Office of Management and Budget
OTS	Office of Technology Services
PA	Public Assistance
RACF	Resource Access Control Facility
RDS	Remote Document Security
RMDS	Report and Management Distribution System
SFAG	State Family Assistance Grant
SRA	Service Region Administrator
SRAA	Service Region Administrator Assistant
SSI	Social Security Insurance
STEP	System Tracking For Employability Programs
TANF	Temporary Assistance for Needy Families

**LIST OF ABBREVIATIONS/ACRONYMS (Continued)**

TWIST	The Workers Information System
U.K.	University of Kentucky
U.S.	United States
WtW	Welfare-to-Work
WWW	World Wide Web

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

CFDA #	Program Title	Expenditures		Provided to Subrecipient
		Cash	Noncash	
<b><u>U.S. Department of Agriculture</u></b>				
<b>Direct Programs:</b>				
<b>Food Stamp Cluster:</b>				
10.551	Food Stamps (Note 2) (Note 3) (Note 4)		\$ 467,646,178	
10.561	State Administrative Matching Grants for Food Stamp Program (Note 2)	\$ 25,581,061		\$ 488,916
<b><u>U.S. Department of Justice</u></b>				
<b>Passed Through From Department of Justice:</b>				
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program (Note 4)		0	
<b><u>U.S. Department of Labor</u></b>				
<b>Direct Programs:</b>				
17.253	Welfare-to-Work Grants to States and Localities	672,843		674,021
<b><u>U.S. Department of Energy</u></b>				
<b>Direct Programs:</b>				
81.042	Weatherization Assistance for Low-Income Persons	4,332,748		4,126,648
<b><u>U.S. Department of Health and Human Services</u></b>				
<b>Direct Programs:</b>				
93.556	Promoting Safe and Stable Families	5,123,702		4,217,434
93.558	Temporary Assistance for Needy Families (Note 2)	116,806,920		11,227,169
93.563	Child Support Enforcement (Note 2)	40,393,975		32,316,177
93.568	Low-Income Home Energy Assistance (Note 2)	27,987,481		27,848,559
93.569	Community Services Block Grant	10,864,528		10,294,649
93.571	Community Services Block Grant Discretionary Awards - Community Food and Nutrition	73,235		73,235
<b>Child Care Cluster:</b>				
93.575	Child Care and Development Block Grant (Note 2)	95,160,956		11,851,195
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund (Note 2)	29,958,144		14,910

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

CFDA #	Program Title	Expenditures		Provided to Subrecipient
		Cash	Noncash	
U.S. Department of Health and Human Services (Continued)				
Direct Programs (Continued):				
93.590	Community-Based Family Resource and Support Grants	1,318,364		1,115,858
93.597	Grants to States for Access and Visitation Programs	162,502		162,502
93.603	Adoption Incentive Payments	1,324,531		
93.643	Children's Justice Grants to States	219,781		138,105
93.645	Child Welfare Services - State Grants	4,662,098		
93.658	Foster Care-Title IV-E	53,314,780		25,344
93.659	Adoption Assistance	15,419,944		
93.667	Social Services Block Grant	17,096,491		903,887
93.669	Child Abuse and Neglect State Grants	338,689		143,693
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters-Grants to States and Indian Tribes	1,675,989		1,666,640
93.674	Chafee Foster Care Independent Living	1,115,460		878,076
NA	The Placement and Treatment of Neuropsychiatric Patients (Note 4)	0		
Passed Through From Cabinet for Health Services:				
93.767	State Children's Insurance Program	356,629		
Medicaid Cluster:				
93.778	Medical Assistance Program (Note 2)	17,020,069		
U.S. Corporation for National and Community Service				
Direct Programs:				
94.003	State Commissions	153,271		
94.004	Learn and Serve America-School and Community Based Programs (Note 4)	0		
94.006	AmeriCorps	3,050,320		3,049,776
94.007	Planning and Program Development Grants	27,134		14,516
94.009	Training and Technical Assistance	42,825		19,138
U.S. Social Security Administration				
Direct Programs:				
Disability Insurance/SSI Cluster:				
96.001	Social Security-Disability Insurance (Note 2)	38,278,470		
Total Cabinet For Families and Children		\$512,532,940	\$467,646,178	\$111,250,448

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

**Note 1 - Purpose of the Schedule and Significant Accounting Policies**

**Basis of Presentation** - OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires a Schedule of Expenditures of Federal Awards showing each federal financial assistance program as identified in the *Catalog of Federal Domestic Assistance*. The accompanying schedule includes all federal grant activity administered by the Cabinet for Families and Children (CFC), except those programs administered by state universities, and is presented primarily on the basis of cash disbursements as modified by the application of KRS 45.229. Consequently, certain expenditures are recorded in the accounts only when cash is disbursed. The Commonwealth elected to exclude state universities from the statewide single audit, except as part of the audit of the basic financial statements.

KRS 45.229 provides that the Finance and Administration Cabinet may, “for a period of thirty (30) days after the close of any fiscal year, draw warrants against the available balances of appropriations made for that fiscal year, for the payment of expenditures incurred during that year or in fulfillment of contracts properly made during the year, but for no other purpose.” However, there is an exception to the application of KRS 45.229 in that regular payroll expenses incurred during the last pay period of the fiscal year are charged to the next year.

The basic financial statements of the Commonwealth are presented on the modified accrual basis of accounting for the governmental fund financial statements and the accrual basis of accounting for the government-wide, proprietary fund, and fiduciary fund financial statements. Therefore, the schedule may not be directly traceable to the basic financial statements in all cases.

Noncash assistance programs, where applicable, are not reported in the basic financial statements of the Commonwealth for FY 03. The noncash expenditures presented on this schedule represent the noncash assistance expended by CFC using the method or basis or valuation described in Note 3.

Clusters of programs are indicated in the schedule by light gray shading.

**Inter-Agency Activity** - Certain transactions relating to federal financial assistance may appear in the records of more than one (1) state agency. To avoid the overstatement of federal expenditures, the following policies were adopted for the presentation of the schedule:

- (a) Federal moneys may be received by one state agency and passed through to another state agency where the moneys are expended. Except for pass-throughs to state universities as discussed below, this inter-agency transfer activity is reported by the agency expending the moneys.

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

**Note 1 - Purpose of the Schedule and Significant Accounting Policies (Continued)**

**Inter-Agency Activity (Continued)**

State agencies that pass federal funds to state universities report those amounts as expenditures.

- (b) Federal moneys received by a state agency and used to purchase goods or services from another state agency are reported in the schedule as an expenditure by the purchasing agency only.

**Note 2 - Type A Programs**

Type A programs for the Commonwealth mean any program for which total expenditures of federal awards exceeded \$18 million for FY 03. CFC had the following programs (cash and noncash) that met the Type A program definition for FY 03, some of which were administered by more than one (1) state agency. Certain component units and agencies audited by certified public accounting firms had lower dollar thresholds. CFC identified four (4) clusters among the Type A programs by gray shading. These Type A programs and clusters were:

<b>CFDA #</b>	<b>Program Title</b>	<b>Expenditures</b>
<b>Food Stamp Cluster:</b>		
<b>10.551</b>	Food Stamps	\$ 467,646,178
<b>10.561</b>	State Administrative Matching Grants for Food Stamp Program	25,581,061
<b>93.558</b>	Temporary Assistance for Needy Families	116,806,920
<b>93.563</b>	Child Support Enforcement	40,393,975
<b>93.568</b>	Low-Income Home Energy Assistance	27,987,481
<b>Child Care Cluster:</b>		
<b>93.575</b>	Child Care and Development Block Grants	95,160,956
<b>93.596</b>	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	29,958,144
<b>93.658</b>	Foster Care – Title IV-E	53,314,780

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

**Note 2 - Type A Programs (Continued)**

<b>CFDA #</b>	<b>Program Title</b>	<b>Expenditures</b>
<b>Medicaid Cluster:</b>		
<b>93.778</b>	Medical Assistance Program	17,020,069
<b>Disability Insurance/SSI Cluster:</b>		
<b>96.001</b>	Social Security – Disability Insurance	38,278,470
<b>Total Type A Programs</b>		<b>\$ 912,148,034</b>

**Note 3 - Noncash Expenditure Programs**

CFC's noncash program description of the method/basis of valuation follows:

<b>CFDA #</b>	<b>Program Title</b>	<b>Amount</b>	<b>Method/Basis of Valuation</b>
10.551	Food Stamps	\$467,646,178	Electronic Benefit Transfer Issuance

**Note 4 - Zero Expenditure Programs**

These programs had no expenditures related to CFC during FY 03. The zero expenditure programs included programs with no activity during the year, such as old programs not officially closed out or new programs issued late in the fiscal year. They also included programs with activity other than expenditures.

## **FINANCIAL STATEMENT FINDINGS**

### ***Reportable Conditions Relating to Internal Controls and/or Reportable Instances of Noncompliance***

#### **FINDING 03-CFC-1: The Cabinet For Families And Children Password Policy Should Be Consistently Applied To All Local Area Network Servers**

As was noted in the prior audit, password policies established on CFC's servers did not adhere to the agency password policies. During security vulnerability testing, the auditor received account related information from four (4) machines within two (2) CFC domains. This information was compared to the established agency password policy criteria. See the table below for a summary of the findings.

<b>Security Measure</b>	<b>Standard</b>	<b>Number of machines not in compliance with policy (and the expiration setting on those machines)</b>	<b>Percentage of 4 machines not in compliance with policy</b>
Maximum Age	31 days – GOT	3 - 42 days 1 - None	100%
Minimum Age	1 day – GOT	4 - None	100%
Minimum Length	5 characters – GOT	4 - None	100%
Lockout Threshold	5 attempts – GOT	4 - None	100%

Note that one (1) of these machines had also been noted as not complying with the established password policy in the prior audit report.

Passwords are an important aspect of computer security. They are the front line of protection for system access. To help ensure the security of a network, it is necessary for a strong password policy to be developed and implemented on all servers within the network in a consistent manner. If servers within a network are not sufficiently secured, the network could be compromised.

#### **Recommendation**

We recommend that CFC review all servers within its own domains to ensure that the password policy established complies with the agency policy.

#### **Management's Response and Corrective Action Plan**

*CFC acknowledges the need for uniformity in Password Policy adherence. Changes have been put into effect in order to ensure proper alignment to the Cabinet for Families and Children's written password policy. These changes have been completed and include Domain Controllers, Member Servers as well as Local Workstation Policy.*



**FINANCIAL STATEMENT FINDINGS*****Reportable Conditions Relating to Internal Controls and/or  
Reportable Instances of Noncompliance*****FINDING: 03-CFC-2: The Cabinet For Families And Children Should Ensure All  
User Accounts On Its Agency Machines Are Necessary**

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During security vulnerability testing at CFC, we discovered three (3) machines with port 21 open. The auditor was able to create a File Transfer Protocol (FTP) session through this port on two (2) machines using the anonymous or guest logins. It should also be noted that these two (2) machines were reported in the prior audit report.

The auditor noted marked improvement in the area of user account security for FY 03 in that we could not glean NetBIOS account information from any of the agency's machines.

Default administrator, guest, and anonymous accounts in operating system and applications are some of the first accounts that an intruder will attempt to use. Therefore, they should be assigned strong passwords or, if possible, renamed or removed immediately after installation.

**Recommendation**

We recommend that CFC ensure that access is restricted to default, anonymous, or guest logons on all machines under CFC control that have FTP services running on them.

**Management's Response and Corrective Action Plan*****PORT 21***

*Of the three (3) systems noted, two (2) are actually the same system. Both reported FTP servers have been disabled*

***In Addition:***

*Any system found to run FTP will be noted in the Cabinet's baseline or port scans. If the service is required then it is to be migrated to one (1) of the Cabinet's firewall protected environments, otherwise the service will be disabled.*

## **FINANCIAL STATEMENT FINDINGS**

### ***Other Matters Relating to Internal Controls and/or Instances of Noncompliance***

#### **FINDING: 03-CFC-3: The Cabinet For Families And Children Should Strengthen The Logical Security Procedures For The Workers Information System**

As noted in the prior audit, we tested logical access security for The Workers Information System (TWIST) and found that CFC did not consistently follow procedures for granting access to the system.

The CFC System Security Access Procedures manual states, "To gain access to TWIST, users must complete the Request For RACF Mainframe Clearance (CFC-219A), the Request For Kentucky Automated Management and Eligibility System (KAMES) User Id (CFC-219B), and the TWIST Staff Information document." Since TWIST security procedures are decentralized, we requested all access forms for a sample of 36 TWIST users with update access to ensure proper authorization and supporting documentation existed for current system access levels. Upon completion of our review, we had only received seven (7) security documents. Of this documentation, four (4) TWIST users had completed a CFC-219A and CFC-219B form, three (3) users had completed the TWIST Staff Information sheet, and only two users had the proper approvals needed to grant system access.

Consistent application of established security policies and procedures provides continuity for policy implementation and sets the tone of management concern for a strong system to secure assets and resources. To strengthen security, security policies must be followed and system access forms should be readily available to agency administrators, as well as management to ensure users are properly authorized to access the system. Failure to follow established security policy increases the risk of unauthorized modification, destruction of assets, and interruption of services.

#### **Recommendation**

We recommend that CFC ensure that all security administrators are aware of the TWIST logical security procedures documented in the System Security Access Procedures manual. If the current procedures cannot be accomplished with the current decentralized security administration, we recommend CFC consider centralizing this security function. Further, security administrators for TWIST should be instructed to review current TWIST users for whom they are responsible and ensure the following required forms are appropriately completed and on file:

- Employee Confidentiality/Security Agreement (CFC-219),
- Request For RACF Mainframe Clearance (CFC-219A),
- Request For KAMES User Id (CFC-219B), and
- TWIST Staff Information document.

In addition, security administrators should be held accountable for these forms and ensure that they are made available for review when requested.

**FINANCIAL STATEMENT FINDINGS*****Other Matters Relating to Internal Controls and/or Instances of Noncompliance*****FINDING: 03-CFC-3: The Cabinet For Families And Children Should Strengthen The Logical Security Procedures For The Workers' Information System (Continued)****Management's Response and Corrective Action Plan**

*TWIST security administrators are located in field offices and are under the management of the Division of Protection and Permanency (DPP). Staff from the CFC Office of Technology Services (OTS) will meet with management staff from the DPP to discuss these findings and corrective actions needed. We will provide them with copies of the security procedures and ask that they instruct the security administrators to review the current user's documentation to ensure the appropriate forms have been completed. We will also ask that the administrators be made accountable for these forms, making sure they are made available for review when requested.*

## **FINANCIAL STATEMENT FINDINGS**

### ***Other Matters Relating to Internal Controls and/or Instances of Noncompliance***

#### **FINDING: 03-CFC-4: The Cabinet For Families And Children Should Ensure That Security Information Leakage Concerning Agency Devices Is Minimized**

As noted during the prior audit, CFC did not restrict critical information divulged by its network machines. We tested CFC's local area network (LAN) security and noted several instances where machines within the LAN provided information to anonymous users that could help an intruder develop details for an attack.

Using standard scanning tools, we reviewed the machine names and other remarks for all machines located within two (2) CFC domains. We noted 231 machines with remarks. The majority of these remarks are the user names of each of the machines; however, there are several that might catch an intruder's interest. We also noted the naming convention of machines was not sufficiently ambiguous to disguise the function of some of the machines.

We also ran other vulnerability assessment tools twice during the fiscal year on 41 machines within two (2) CFC domains that had been noted in our prior audit report to determine if they would still return information on Local Security Authority (LSA), Password Policies, or Valid User, Group, or Share Lists. Only 40 of those machines were still valid at the time of our audit. The following table depicts the number of machines that still provide this information:

<b>Type of Information</b>	<b>Number of machines</b>	<b>Percentage of 40 machines</b>
LSA	7	17.5%
Password Policies	7	17.5%
Valid User List	7	17.5%
Valid Group List	7	17.5%
Valid Share List	14	35%

Improvement in securing the information that is divulged by the agency's machines was noted; however, this is still considered excessive information leakage.

An agency's domain information that is accessible to the world at large through inquiry tools should be kept at a minimum. Agencies should ensure that information such as location, accounts associated with the machine, type of data residing on the machine, and the machine's role is not divulged or is stated in the most minimal of terms. To accomplish this, an agency can set devices to not respond to certain types of inquiries, can use naming conventions that obscure the purpose of machines, and can provide no comments on machine activity.

**FINANCIAL STATEMENT FINDINGS*****Other Matters Relating to Internal Controls and/or Instances of Noncompliance*****FINDING: 03-CFC-4: The Cabinet For Families And Children Should Ensure That Security Information Leakage Concerning Agency Devices Is Minimized (Continued)****Recommendation**

We recommend that CFC continue to improve restrictions on the level of information that is being provided by its LAN machines to anonymous users. First, the naming convention for machines should be altered to make them more ambiguous and any unnecessary comments associated with the machines should be removed. Second, restrictions should be placed on what types of responses machines provide based on certain inquiries.

**Management's Response and Corrective Action Plan**

*It has been noted and identified by the Cabinet for Families and Children (CFC) Office of Technology Services (OTS) that both computer information as well as user information existed in easily viewable formats, and that naming conventions existed that were too descriptive to it's function. This has been considered previously and has been in progress to remedy. A portion of this effort has been a massive computer/server-renaming project, that to-date is 95% complete. All CFC field servers have been renamed to a non-descriptive standard, and Central Office data center systems are in progress completion date 2-10-2004.*

*Upon Investigation we verified the existence of 206 systems in our agency that had descriptions specified. These systems have had their comments removed. The Cabinet will be drafting a policy to discontinue any such practice.*

*CFC/OTS has implemented the restriction of anonymous login to level one (1). Technically it is not justifiable to elevate this to level two (2), as tests have found this disables needed networkability, including but not restricted to E-mail access. This configuration will be updated to ensure any possible new machines have obtained this configuration.*

## **FINANCIAL STATEMENT FINDINGS**

### ***Other Matters Relating to Internal Controls and/or Instances of Noncompliance***

#### **FINDING: 03-CFC-5: The Cabinet For Families And Children Should Ensure That All Open Ports On Agency Machines Have A Business-Related Purpose**

During the security vulnerability assessments for machines controlled by CFC, our examination revealed several machines with ports open that may not have a specific, business-related purpose. Though we had commented on the necessity of open ports in the prior audit, the specific ports cited last year are no longer issues other than port 6667 noted below. However, our current examination revealed new concerns with additional ports. Due to the large number of issues, we grouped the findings below by port number and application.

##### **Port 80 – HTTP**

Thirteen machines were found to have port 80 open that would not display a website. When no default page or restricted logon is required, normally this means that no application/web service is running at the port.

##### **Port 81 – Web**

One (1) machine was identified with port 81 open that would not display a website. When no default page or restricted logon is required, normally this means that no application/web service is running at the port.

##### **Port 443 – Hypertext Transfer Protocol over Secure Socket Layer (HTTPS)**

Six (6) machines were identified with port 443 open that would not display a website. When no default page or restricted logon is required, normally this means that no application/web service is running at the port.

##### **Port 2301 – Compaq Insight Manager**

Five (5) machines were found with port 2301 open. Concerns were identified with three (3) of these machines that would not display a website. When no default page or restricted logon exists for this port it normally means that no application/web service is running at the port.

##### **Port 6667 – Internet Relay Chat (IRC)**

Six (6) machines were found with the IRC service running. Four (4) of these machines had been reported in the prior audit report. This port can be used by unauthorized users for Trojan attacks and downloading illegal files.

While several machines still had issues noted during FY 03, there has been a marked improvement in the overall number of machines with open ports for which the auditor questioned necessity.

## **FINANCIAL STATEMENT FINDINGS**

### ***Other Matters Relating to Internal Controls and/or Instances of Noncompliance***

#### **FINDING: 03-CFC-5: The Cabinet For Families And Children Should Ensure That All Open Ports On Agency Machines Have A Business-Related Purpose (Continued)**

The existence of open ports is an invitation for intruders to enter the system. To minimize the risk of unauthorized access to a machine, only necessary, business-related ports should be open. Further, the application residing at these ports should be secured to the extent possible.

#### **Recommendation**

We recommend that CFC perform a review of all open ports. If there is not a specific, business-related purpose requiring a port to be open, then that port should be closed. If the port is necessary then CFC should ensure adequate logical security controls are implemented to prevent unauthorized access as necessary. Further, we recommend that CFC periodically review the open ports on all agency-owned machines to ensure necessity.

#### **Management's Response and Corrective Action Plan**

*CFC maintains a comprehensive baseline for agency systems. This baseline is comprised of a scan and analysis of open ports. Systems found to be running unnecessary services have since disabled. Any ports shown as acceptable were compiled into this baseline report. Over the last year CFC has been running a bi-weekly port scan, which is compared to the noted baseline. When a new system and/or service are reported it is analyzed for necessity. It is then either disabled or added to the baseline.*

*All Development and Production servers have been installed behind firewalls to restrict access, to open ports, to only those personnel who require access.*

*It should be noted that CFC continues to work to ensure our systems remain up-to-patch level to ensure any required service is protected against reported vulnerabilities.*

*Below entails a detailed response to reported ports:*

#### **PORT 80**

*Out of the 13 machines five (5) are Lexmark printers that have the Web Service disabled however port 80 continues to respond.*

*The remaining eight (8) machines have been determined to require this configuration. Four (4) of these systems have since been configured behind a firewall.*

**FINANCIAL STATEMENT FINDINGS**

***Other Matters Relating to Internal Controls and/or Instances of Noncompliance***

**FINDING: 03-CFC-5: The Cabinet For Families And Children Should Ensure That All Open Ports On Agency Machines Have A Business-Related Purpose (Continued)**

**Management's Response and Corrective Action Plan (Continued)**

**PORT 81**

*Two (2) systems reported with port 81 require this port to be open; one (1) of these systems have since been configured behind a firewall.*

**PORT 443**

*Of the Original nine (9) systems reported with port 443 only two (2) remain with this configuration; both are required. One (1) has since been configured behind a firewall and the other is in the process of being migrated behind a firewall.*

**PORT 2301**

*All Systems running Compaq Insight Manager have had the Web Agent Disabled due to noted Security Concerns.*

**PORT 6667**

*Reported as the common IRC port, in actuality is an installation of PowerChute+, and has been considered acceptable*



## **FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

### ***Reportable Conditions Relating To Internal Controls and/or Reportable Instances of Noncompliance***

#### **FINDING: 03-CFC-6: The Cabinet For Families And Children Should Require State Colleges, Universities, And Area Development Districts To Submit An Annual Audit Report**

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Federal Program: CFDA 17.253 - Welfare-to-Work Grants to States and Localities  
CFDA 93.558 - Temporary Assistance for Needy Families  
CFDA 93.563 - Child Support Enforcement  
CFDA 93.575 - Child Care Development Block Grant

Federal Agency: U.S. Department of Labor  
U.S. Department of Health and Human Services

Pass-Through Agency: Not Applicable

Compliance Area: Subrecipient Monitoring

Amount of Questioned Costs: None

CFC contracts with local not-for-profit organizations, community action agencies and area development districts (ADDs), state colleges, universities, and county attorneys to provide services to needy families. Program deficiencies were noted regarding Welfare-to-Work (WtW), Child Support Enforcement (CSE), Child Care Development Block Grant (CCDBG), and Temporary Assistance for Needy Families (TANF). As subrecipients of federal awards, organizations that expend in excess of \$300,000 are required to have a single, or program-specific, audit in accordance with OMB Circular A-133. The audits must be submitted to CFC for review within nine (9) months after the end of the fiscal year audited.

We tested CFC's compliance with subrecipient monitoring provisions of OMB Circular A-133 and noted CFC does not require state colleges, universities, and ADDs to submit an annual audit report as required by OMB Circular A-133. CFC is required by OMB Circular A-133 to obtain and review the audits from these subrecipients. Since other state agencies obtain and review these audits, CFC assumes they are in compliance. For example, audits of state colleges and universities are sent to and reviewed by the Kentucky Department of Education (KDE) for compliance with laws and regulations only for KDE's federal assistance programs.

The Department for Local Government (DLG) is presumably reviewing the audits of the ADDs; however, as stated above, CFC is still responsible for ensuring compliance requirements are met by obtaining and reviewing the ADD audits. We questioned management at DLG about performing OMB Circular A-133 desk reviews, and they indicated they have not performed this task in several years, and they currently do not have the resources to review the audits submitted by the ADDs. CFC has cited KRS 147A.004, "Distribution of state and federal planning funds" in its policies and procedures manual as a basis for not obtaining and reviewing the ADD audits. However, CFC's federal assistance contracts with the ADDs are not a distribution of funds for planning purposes.

## **FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

### ***Reportable Conditions Relating To Internal Controls and/or Reportable Instances of Noncompliance***

#### **FINDING: 03-CFC-6: The Cabinet For Families And Children Should Require State Colleges, Universities, And Area Development Districts To Submit An Annual Audit Report (Continued)**

We also noted there continues to be a problem with the turnaround time of audits sent to the Office of Inspector General (OIG) for OMB Circular A-133 desk reviews.

Refer to the table below for the exceptions noted during the FY 03 audit:

<b>CFDA #</b>	<b>Subrecipient</b>	<b>A-133 Audit Deficiency</b>
93.575 CCDBG	Childcare Council of Kentucky	Audit for 2002 was not submitted.
93.563 CSE	Jefferson County Attorney	No desk review performed for the 2002 audit.
	Kenton County Attorney	No desk review performed for the 2002 audit.
	Pike County Attorney	Audit for 2002 was not submitted.
17.253 WtW	Bluegrass ADD	No desk review performed for the 2002 audit.
	City of Louisville	No desk review performed for the 2002 audit.
	U.K. Research Foundation	Audit for 2002 was not submitted.
93.558 TANF	Kentucky Community & Technical College System	Audit for 2002 was not submitted.
	Big Sandy ADD	No desk review performed for the 2002 audit.

Similar problems were noted during FY 98, FY 99, FY 00, FY 01, and FY 02. We maintain our position that it is ultimately CFC's responsibility to ensure that subrecipients comply with the audit requirements of OMB Circular A-133 by submitting an audit report; performing timely desk reviews; and, following up on areas of concern. This is an ongoing problem and, while improvements have been made, there is still much work to be done to achieve compliance.

Without proper oversight, CFC cannot be assured that subrecipients are expending federal awards for their intended purpose and complying with the requirements of OMB Circular A-133.

OMB Circular A-133, Subpart B states: "[n]on-Federal entities that expend \$300,000 or more in a year in Federal awards shall have a single or program-specific audit conducted for that year in accordance with the provisions of this part."

## **FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

### ***Reportable Conditions Relating To Internal Controls and/or Reportable Instances of Noncompliance***

#### **FINDING: 03-CFC-6: The Cabinet For Families And Children Should Require State Colleges, Universities, And Area Development Districts To Submit An Annual Audit Report (Continued)**

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CFC has the following responsibilities under OMB Circular A-133, Subpart D (d):

- 1) Advise subrecipients of requirements imposed on them by federal laws, regulations, and provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity.
- 2) Ensure required audits are performed and require subrecipients to take prompt corrective action on any audit findings; and,
- 3) Evaluate the impact of subrecipient activities on the pass-through entity's ability to comply with applicable federal regulations.

The Commonwealth of Kentucky Master Agreement, which is the contract between CFC and CHS/OIG states that OIG will: 1) Perform reviews and audits to ensure financial compliance with state and federal laws and regulations and evaluate external audits performed for the Cabinet, and perform other related services. 2) Complete desk reviews of A-133 audits within six (6) months of receipt. 3) Meet the standard 100% of the time.

OMB Circular A-133 §\_\_\_\_.225 states,

[n]o audit costs may be charged to Federal awards when audits required by this part have not been made or have been made but not in accordance with this part. In cases of continued inability or unwillingness to have an audit conducted in accordance with this part, Federal agencies and pass-through entities shall take appropriate action using sanctions such as:

- (a) Withhold a percentage of Federal awards until the audit is completed satisfactorily;
- (b) Withhold or disallow overhead costs;
- (c) Suspend Federal awards until the audit is conducted; or
- (d) Terminate the Federal award.

#### **Recommendation**

We recommend CFC change its policies and procedures manual and remove the reference to KRS 147A.004.

We also recommend CFC comply with the provisions of OMB Circular A-133 that require a pass-through entity (CFC) to receive audit reports from subrecipients required to have an audit in accordance with OMB Circular A-133; issue "timely" management decisions on audit and monitoring findings; and, require subrecipients to take "timely" corrective action on deficiencies identified in audits and through subrecipient monitoring site visits.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*****Reportable Conditions Relating To Internal Controls and/or  
Reportable Instances of Noncompliance*****FINDING: 03-CFC-6: The Cabinet For Families And Children Should Require State Colleges, Universities, And Area Development Districts To Submit An Annual Audit Report (Continued)**

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**Management's Response and Corrective Action Plan**

*Under the new state administration, the Cabinet for Families and Children and the Health Service Cabinet are being consolidated into one cabinet, the Cabinet for Health and Family Services (CHFS). It is anticipated that a by-product of the combined cabinets will be access to the full resources of the Office of the Inspector General (OIG). As a result, OIG might be able to perform the required desk reviews of all contracts in a timely manner. It is hoped that, when performing deskreviews, the OIG will review the multiple contracts that CHFS has with any given vendor.*

*Issue: The CHFS - Contracts Management Branch (CMB) does not require colleges and universities to submit their audits for review. Resolution: We were informed by OIG previously that these audits were included in the state audit, Comprehensive Annual Financial Report (CAFR) and Statewide Single Audit of the Commonwealth of Kentucky (SSWAK). However, CMB will require submission of colleges and universities' audits and complete desk reviews. Note that CMB is limited with only one audit staff member and will need additional auditors if OIG cannot perform these.*

*Issue: CMB does not perform audits of area development districts (ADD). Resolution: CMB will require submission of ADD audits and complete desk reviews. Note that CMB is limited with only one audit staff member and will need additional auditors if OIG cannot perform these.*

*Issue: KRS 147A.004 pertains to planning funds and recommend removing from the policies and procedures. Resolution: This reference has been removed from the draft of the policies and procedures manual. The final policies and procedures manual will be issued after appropriate supervisors have reviewed and issued their approval.*

*Issue: APA noted the continuing problem with the turnaround time of audits sent to OIG for A-133 desk reviews. Resolution: CMB has requested OIG to follow-up and complete the audits previously sent. We understand that OIG is short on staff and may not be able to complete the desk reviews in a timely manner without additional staff.*

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*****Reportable Conditions Relating To Internal Controls and/or  
Reportable Instances of Noncompliance*****FINDING: 03-CFC-6: The Cabinet For Families And Children Should Require State Colleges, Universities, And Area Development Districts To Submit An Annual Audit Report (Continued)**

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**Management's Response and Corrective Action Plan (Continued)**

*Issue: Audits for 2002 were not submitted or desk reviews not performed as follows - the Childcare Council of Kentucky audit for 2002 was not submitted. Resolution: This vendor had not submitted an audit in the past three years. The CMB auditor sent non-compliance letters to the vendor and had telephone conversations with the executive director and has since received and reviewed audits for 1999 – 2000. In our telephone conversation Monday, March 1, 2004, with the agency's executive director, he assured us that Childcare Council of KY would have their 2001-2002 A-133 audit to us by March 15, 2004. Future audits would be performed in a timely manner and submitted to CMB. CMB or OIG will perform the desk review of the audit once received.*

*Jefferson County Attorney: No desk review was performed for the 2002 audit. Resolution: This audit was sent to OIG on April 1, 2003. At a meeting with OIG, we requested the audit be given priority and have since requested from OIG a status report of these audits. We understand that OIG is short on staff and may not be able to complete the desk reviews in a timely manner without additional staff.*

*Kenton County Attorney: No desk review was performed for the 2002 audit. Resolution: This audit was sent to OIG on September 23, 2003. At a meeting with OIG, we requested the audit be given priority and have since requested from OIG a status report of these audits. We understand that OIG is short on staff and may not be able to complete the desk reviews in a timely manner without additional staff.*

*Pike County Attorney: The audit for 2002 not submitted. Resolution: A non-compliance letter was sent to the county attorney on 2/23/04. Several telephone calls were made prior to sending the letter. The Pike County Attorney's office assumed that they were under the \$300,000 limit for an A-133 audit. They had auditors performing their 2003 audit at the time of our telephone calls. CMB staff requested an engagement letter for the 2002 and the approximate date the 2002 audit could be completed. Due to the limitations of the Management Administrative Reporting System and Seagate reporting of two-year contracts, CMB did not have this facility in the schedule for an A-133 audit. CMB will follow through on obtaining a 2002 audit and performing a desk review. We will set up an additional monitoring process for reviewing two-year contract requirements of an A-133 audit. Note that CMB is limited with only one audit staff member and will need additional auditors if OIG cannot perform these.*

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*****Reportable Conditions Relating To Internal Controls and/or  
Reportable Instances of Noncompliance*****FINDING: 03-CFC-6: The Cabinet For Families And Children Should Require State Colleges, Universities, And Area Development Districts To Submit An Annual Audit Report (Continued)**

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**Management's Response and Corrective Action Plan (Continued)**

*Bluegrass ADD: No desk review was performed for the 2002 audit. Resolution: The CMB will require submission of ADD audits and complete desk reviews. Note that CMB is limited with only one audit staff member and will need additional auditors if OIG cannot perform these.*

*City of Louisville: No desk review was performed for the 2002 audit. CMB's contract is with the Louisville/Jefferson County CAA. Resolution: OIG sent CMB an engagement letter dated June 23, 2003 for City of Louisville, Louisville-Jefferson Community Action Agency, and Low-Income Home Energy Assistance Program. This audit was performed by OIG and CMB is working with OIG to resolve the completion of the audit report. At a meeting with OIG, we requested the audit be given priority. We understand that OIG is short on staff and may not be able to complete the desk reviews in a timely manner without additional staff.*

*University of Kentucky (U.K.) Research Foundation: The audit for 2002 was not submitted. Resolution: CMB will obtain a copy of the U.K. Research Foundation 2002 audit and perform a desk review. Note that CMB is limited with only one audit staff member and will need additional auditors if OIG cannot perform these.*

*Kentucky Community & Technical College System: An audit for 2002 was not submitted. Resolution: CMB will obtain a copy of the Kentucky Community & Technical College System's 2002 audit and perform a desk review. Note that CMB is limited with only one audit staff member and will need additional auditors if OIG cannot perform these.*

*Big Sandy ADD: No desk review was performed for the 2002 audit. Resolution: CMB will perform a desk review on the Big Sandy ADD 2002 audit. Note that CMB is limited with only one audit staff member and will need additional auditors if OIG cannot perform these.*

*Because multiple agencies in CHFS have contracts with the same vendors/agencies, we recommend the consolidation of the desk review auditing process. This change would eliminate duplication of effort and would provide more effective oversight of contracts. The OIG could perform one (1) desk review on a vendor's audit, and then furnish the determination letter of findings to all appropriate agencies within the Cabinet.*

## **FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

### ***Reportable Conditions Relating To Internal Controls and/or Reportable Instances of Noncompliance***

#### **FINDING: 03-CFC-7: The Cabinet For Families And Children Should Discontinue Temporary Assistance For Needy Families Benefits To Recipients Who Have Reached The Sixty-Month Lifetime Limit**

Federal Program: CFDA 93.558 - Temporary Assistance for Needy Families

Federal Agency: U.S. Department of Health and Human Services

Pass-Through Agency: Not Applicable

Compliance Area: Eligibility, Activities Allowed/Unallowed, and Allowable Costs

Amount of Questioned Costs: \$8,876.00

The Federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWOA) (Public Law 104-193, as amended) mandated a maximum lifetime limit on welfare benefits for 60 months. Some households scheduled to have their benefits discontinued may receive special hardship exemptions and may continue to receive all or a portion of their TANF cash assistance for as long as the hardship lasts.

We tested a sample of 25 TANF recipients that had reached the 60-month lifetime limit to determine if benefits received beyond the 60 months were supported by a valid extension. We found five (5) instances where clients received over 60 months of benefits and evidence to support a valid extension could not be produced. We also found a sixth instance of this in another test we performed.

<b>Case Number</b>	<b>Number of Ineligible Months</b>	<b>Monthly Benefit Amount</b>	<b>Ineligible Amount Client Received</b>
1	14	\$ 225	\$ 3,150
2	16	128	2,048
3	2	328	656
4	5	225	1,125
5	4	328	1,312
6	2	Various	585
		<b>Total</b>	<b>\$ 8,876</b>

When CFC fails to discontinue benefits to TANF recipients that have reached the 60-month lifetime limit, clients receive additional money that they are not entitled to, which may prevent eligible recipients from receiving benefits due to the limited funds available. In addition, failing to discontinue benefits at 60 months (without evidence to support a valid extension) could result in the state being penalized by the Department of Health and Human Services (DHHS).

The OMB A-133 Compliance Supplement for CFDA 93.558 Part III. E.1.b. (1) states, "Any family that includes an adult or minor child head of household or a spouse of the head of household who has received assistance under any State program funded by Federal

## **FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

### ***Reportable Conditions Relating To Internal Controls and/or Reportable Instances of Noncompliance***

#### **FINDING: 03-CFC-7: The Cabinet For Families And Children Should Discontinue Temporary Assistance for Needy Families Benefits To Recipients Who Have Reached The Sixty-Month Lifetime Limit (Continued)**

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TANF funds for 60 months (whether or not consecutive) is ineligible for additional federally funded TANF assistance.”

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 Section 408 (a) (7) (A) states:

NO ASSISTANCE FOR MORE THAN 5 YEARS – IN GENERAL – A State to which a grant is made under section 403 shall not use any part of the grant to provide assistance to a family that includes an adult who has received assistance under any State program funded under this part attributable to funds provided by the Federal Government, for 60 months (whether or not consecutive) after the date the State program funded under this part commences . . .

TANF Final Rule Executive Summary states, “In general, States may not use Federal Funds to provide assistance to a family if it includes an adult or minor head-of-household or the spouse of a head-of –household who has received assistance for a cumulative total of more than 60 months.”

Federal Regulations at 45 CFR 264.1(a)(1), state, “Subject to the exceptions in this section, no State may use any of its Federal TANF funds to provide assistance to a family...who has received Federal assistance for a total of five years (i.e., 60 cumulative months, whether or not consecutive).”

Federal Regulations at 45 CFR 264.2, also states:

If we determine that a State has not complied with the requirements of §264.1, we will reduce the SFAG payable to the State for the immediately succeeding fiscal year by five percent of the adjusted SFAG unless the State demonstrates to our satisfaction that it had reasonable cause, or it corrects or discontinues the violation under an approved corrective compliance plan.

#### **Recommendation**

Although evidence to support a valid extension could not be produced in three (3) of the five (5) counties we visited, we did note that valid extensions were well documented in several cases. However, since this was a finding in the FY 02 audit and since multiple problems were found again in FY 03, we recommend the following:



**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*****Reportable Conditions Relating To Internal Controls and/or  
Reportable Instances of Noncompliance*****FINDING: 03-CFC-7: The Cabinet For Families And Children Should Discontinue Temporary Assistance for Needy Families Benefits To Recipients Who Have Reached The Sixty-Month Lifetime Limit (Continued)**

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**Recommendation (Continued)**

- CFC should remind staff statewide of the importance of closely monitoring each case so that an ineligible recipient does not receive additional months of benefits that they are not entitled.
- Caseworkers should request and retain adequate documentation in the recipient files to support extensions of benefits beyond the lifetime limit.
- Extensions should be reviewed timely in accordance with CFC's policies and procedures.
- Funds issued in error should be recouped from the client, if at all possible.
- CFC should reimburse the federal government for the noted questioned costs.
- A control should be programmed into KAMES so the Kentucky Transitional Assistance Program (K-TAP) cases approaching the 60-month lifetime limit will not be recertified without a valid extension code and a supervisor's approval.

**Management's Response and Corrective Action Plan**

*From the Family Support perspective, field staff are supposed to be checking the cases on their 36-month listing (this contains K-TAP cases containing an adult that has received 36 months or more of TANF benefits) monthly on RMDS. This report also contains cases receiving 60 months or more. Cases facing discontinuance due to the 60-month time limit must be manually reviewed two (2) months prior to their potential date of discontinuance. At this point, the worker should be checking the tracking screens on months of TANF receipt to ensure the file is correct and make any corrections (deletions or additions) if necessary. The case should also be reviewed at this time to see if the household meets any of the 20% hardship criteria to receive beyond 60 months.*

*Division of Family Support (DFS) is going to send out a memo reminding field staff of these procedures and require supervisory review of the listing monthly to ensure those nearing the 60-month time limit are taken care of appropriately. We will also do a monthly email to supervisors when the listing is produced and cc regional office program specialist, coordinators and service region administrators and service region administrator assistants.*

*The 60-month extension reports on RDS are supposed to be utilized by field staff monthly to ensure the cases are in qualified extensions and are reviewed at the proper interval and determined ongoing eligible for the extension. This listing*

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*****Reportable Conditions Relating To Internal Controls and/or  
Reportable Instances of Noncompliance*****FINDING: 03-CFC-7: The Cabinet For Families And Children Should Discontinue Temporary Assistance for Needy Families Benefits To Recipients Who Have Reached The Sixty Month Lifetime Limit (Continued)**

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**Management's Response and Corrective Action Plan (Continued)**

*should be used to ensure cases are discontinued if the household is no longer eligible for an extension. Cases on the 60-month extension list coded "N" (not eligible for the 60-month extension) should be reviewed monthly to determine why the case has received beyond 60 months without being coded to an eligible extension reason. There are some problems with the report and some cases are on the list that have not received 60 months (e.g., fugitive felons who are technically excluded from the K-TAP grant and the listing also picks up months the K-TAP adult may have received K-TAP as a teen parent).*

*DFS is going to send a monthly reminder with the 60-month extension reports are posted to RDS and require listings to be annotated and reviewed at the regional level monthly. DFS will review the annotated 60-month listings on a quarterly basis.*

*The KAMES system contains a count to track the 60 months of allowed receipt of federal TANF funds. However, that count can be adjusted to include months of receipt of TANF benefits from other states that operate under a waiver of non-countable months due to the age of the specified relative. Per 45 CFR 264.1(c) states are allowed to extend assistance paid for by the federal TANF funds beyond the five year limit for up to 20 percent average monthly number of families receiving assistance during the fiscal year or the immediately preceding fiscal year, whichever the state elects. Currently, Kentucky extends less than 1% of its average caseload.*

*Per 45 CFR 264.2, if it has been determined a state has failed to comply with the federal five (5) year time limit; the state will incur a 5% reduction in its State Family Assistance Grant (SFAG) in the next fiscal year. However, if the state can demonstrate reasonable cause or corrects or discontinues the violation under an approved corrective compliance plan the penalty would be waived.*

*Per 45 CFR 260, et al., if a state is found to not be in compliance with program requirements, the penalty is assessed through a reduction in the SFAG. With the exception of failing to repay a federal loan, remitting contingency funds if criteria is not met or replacing penalty reduction with state funds. States are not required to repay federal TANF funds.*

## **FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

### ***Reportable Conditions Relating To Internal Controls and/or Reportable Instances of Noncompliance***

#### **FINDING: 03-CFC-8: The Cabinet For Families And Children Should Maintain Adequate Records To Ensure That Payments Are Made For Approved And Allowable Goods And Services**

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Federal Program: CFDA 93.558 - Temporary Assistance for Needy Families  
 Federal Agency: U.S. Department of Health and Human Services  
 Pass-Through Agency: Not Applicable  
 Compliance Area: Eligibility, Activities Allowed/Unallowed and Allowable Costs  
 Amount of Questioned Costs: \$5,791

We tested a sample of 77 payments to participants in the TANF program. CFC failed to produce records to support expenditures and follow procedures outlined in *Volume III - Kentucky Transitional Assistance Program* of its operating manual.

We noted the following weaknesses:

- Recipient files were missing for four (4) cases selected, resulting in questioned costs of \$1,702.
- Recipient applications or recertifications from FY 03 were missing in three (3) cases tested resulting in questioned costs of \$2,723.
- Receipts for two (2) supportive service payments could not be produced, resulting in questioned costs of \$968.
- Incomplete PA-32 was noted in one (1) case (unused lines were not crossed out on the form).
- Out-of-state birth certificates were not produced for two (2) cases.
- Birthdate (month and year) of children in three (3) cases were entered incorrectly into KAMES.
- Signed K-TAP applications could not be produced for two (2) cases, resulting in questioned costs of \$398.
- Other application documents were not found in various cases when required.

CFC has not taken adequate measures to correct these problems, as similar problems were noted in the FY 01 and FY 02 audits. We did note, however, that there has been significant improvement regarding maintaining PA-32s for expenditures, and CFC should be commended for its efforts towards the correction of this problem.

There are numerous effects of the above weaknesses including:

- If entire case files, K-TAP applications/recertifications, and receipts for expenditures cannot be located, CFC and the DHHS cannot be assured that benefits are issued to eligible recipients.

## **FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

### ***Reportable Conditions Relating To Internal Controls and/or Reportable Instances of Noncompliance***

#### **FINDING: 03-CFC-8: The Cabinet For Families And Children Should Maintain Adequate Records To Ensure That Payments Are Made For Approved And Allowable Goods And Services (Continued)**

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- If PA-32s are not completed according to instructions, the potential for fraud and misuse of funds exists.
- If out-of-state birth certificates are not requested for client dependents, authoritative support for the dependency relationship cannot be assured.
- If dependent birth dates are not entered correctly into the system, benefits might be paid for an otherwise ineligible recipient.
- Without obtaining signed forms from clients during the application/recertification process, the applications and recertifications will not be complete. In addition, all of the information required to be communicated may not be and evidence of this communication could not be verified by CFC and the client.

Federal Regulations at 45 CFR 92.20 (a)(2), state, “fiscal control and accounting procedures of the State...must be sufficient to . . . permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.”

Federal Regulations at 45 CFR 92.42(b)(1), also state, “. . . records must be retained for three years from the starting date specified in paragraph C.”

Good internal controls dictate that procedures be followed to ensure that payments are made only for approved and allowable goods and services.

#### **Recommendation**

Since these problems were found in various counties throughout the state, we recommend that CFC remind caseworkers statewide that:

- Case files should be produced and maintained to adequately support expenditures.
- An adequate filing system should be maintained so that case files may be located.
- Lines not used on the form PA-32 should be crossed out.
- Receipts for all supportive service payments should be requested and maintained.
- Birth certificates for out-of-state dependents should be requested and maintained.
- CFC should remind staff of the importance of maintaining an accurate and complete participant case file.
- Funds should be returned to the federal government as a result of the questioned costs.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*****Reportable Conditions Relating To Internal Controls and/or  
Reportable Instances of Noncompliance*****FINDING: 03-CFC-8: The Cabinet For Families And Children Should Maintain Adequate Records To Ensure That Payments Are Made For Approved And Allowable Goods And Services (Continued)**

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**Management's Response and Corrective Action Plan**

*County A:* Monitoring of families who have received over 52 months is in place in County A at this time with our Pro Team meetings. We will continue this process and comment on any possible extension of TANF funds past 60 months. A red color label will be added to Kentucky Works Program (KWP) case files when a participant reaches 36 months. Now that all case records are kept in one office (no longer on contract with Community Action Council), no loss of case records is expected in the future so documentation and verification will not be an ongoing problem. We will go over in regular staff meeting the importance of monitoring 60 month plus cases and pay close attention to extension dates according to policy and procedure. We will also go over in staff meeting the completion of PA32's and crossing out unused lines. All PA32's in excess of \$99 are co-signed by a supervisor or KWP coordinator. Again, with all cases now controlled by the region, we should not have errors on PA32's and they will be in the case record with a receipt attached. If ever a case does exceed 60 months with no extension code in place, a claim will be processed to recoup benefits issued in error. County A has new guidelines for case readings in place immediately. We will be reading 40 plus KTAP/KWP cases per month on case actions, applications and recertifications on 13 case managers who are fully trained and reading completely on one case manager who does not yet have case decision. This will help in having all proper documents signed and required forms in the case record. All inactive KWP folders are now kept in a separate filing area and will be available for review.

*County B:* In response to the deficiency noted for County B of a 101 with no signature, the corrective action is as follows: Personnel with Family Support will review with all staff at staff meeting the importance of having all appropriate forms in the case record with the appropriate signatures and personnel will monitor all case readings for the month of March 2004 for proper forms and signatures with a goal of 100% compliance.

*County C:* There were three issues identified in the TANF audit for County C: lack of out-of-state birth certificates in two cases, lack of a signed CS-333 in two (2) cases and an incorrect DOB entered on KAMES. Each of these exceptions has been or will be addressed with staff.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*****Reportable Conditions Relating To Internal Controls and/or  
Reportable Instances of Noncompliance*****FINDING: 03-CFC-8: The Cabinet For Families And Children Should Maintain Adequate Records To Ensure That Payments Are Made For Approved And Allowable Goods And Services (Continued)**

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**Management's Response and Corrective Action Plan (Continued)**

*County C (Continued): The out-of-state birth certificate issue was addressed with all case management staff at our monthly case managers' meeting on 3/1/04. The policy regarding verification requirements of out-of-state births as well as the correct procedures to follow-up and ensure that the birth verification is received and placed in the case record in a timely matter were reviewed. This policy will also be reviewed at a monthly supervisors' meeting on March 11, 2004. County C family support supervisors attend this meeting.*

*The supervisors' meeting on March 11, 2004 will also provide us with a forum to address the CS-333 issue. The specific problem we had seemed to involve having the client sign the form when he/she is reapplying for KTAP. Our program specialist will review the procedural instructions for this form to ensure that we are having the CS-333 signed at appropriate times.*

*The final exception cited involved an incorrect date of birth (DOB). The worker had entered 12/8/89 instead of 10/8/89 for a child on the case. It was clearly a data entry error and did not affect potential eligibility for benefits in any way. The DOB has been corrected and we will remind workers to be careful when making all system entries.*

*Also cited in the audit was the fact that we were not able to locate 2 of the 38 cases requested by the auditor. Both of these cases were listed under test number 4, for which five (5) additional cases were requested as "Alternates if any of the above items from Test 4 cannot be located". Because we were able to locate all 5 alternates, we may have misjudged the gravity of not locating two (2) cases in the original group.*

*A primary cause for us not being able to find one (1) of the cases was that we were in the midst of a crisis in our discontinued files. Due to flooding in the basement earlier in the year and a pending project to relocate the discontinued files while the flooding was addressed, we had over 300 boxes of unfiled discontinued cases. We did find several discontinued cases for tests 1-3 in the audit by going through these boxes manually. However, because alternates were listed for the two (2) cases now cited in the audit, we may not have searched as diligently for them.*

*The issue of the discontinued files continues to be addressed. The unfiled cases are now boxed in alphabetical order and will be moved back into the file cabinets as soon as the work in the basement is completed.*

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*****Reportable Conditions Relating To Internal Controls and/or  
Reportable Instances of Noncompliance*****FINDING: 03-CFC-8: The Cabinet For Families And Children Should Maintain Adequate Records To Ensure That Payments Are Made For Approved And Allowable Goods And Services (Continued)**

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**Management's Response and Corrective Action Plan (Continued)**

*County C (Continued): The amounts listed as projected costs for the two (2) cases that we could not locate are much higher than the benefits these clients actually received in FY 2003. For case number 63, the loss for FY 2003 is projected to be \$7200 (12 months of Kinship care at \$600 per month).*

*However, the amount actually received in the FY 2003 for this case was \$3300 (\$300 received in 9/02 and \$600 received in each month between 10/02 and 02/03). For case number 77, the projected loss was 9000 (12 months at \$750 per month). However, the \$750 in question was an Employment Retention Assistance (ERA) payment that was issued in 6/02. ERA was not an ongoing, monthly payment. Rather it was a set amount of money (\$1500) that was available to former K-TAP recipients whose cases discontinued with wages and who needed financial assistance to remain employed. Because the maximum ERA payment was \$1500, the loss could not have exceeded that amount. In fact, the client in question exhausted her ERA funds in 6/02, so there would not have been any funds left to use in FY 2003.*

*Through our monthly case managers' meeting and our monthly supervisors' meeting, we address policy issues and concerns on a regular basis. We will continue to use these meetings as part of our ongoing efforts to provide quality casework and quality customer service to the families we assist.*

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*****Reportable Conditions Relating To Internal Controls and/or  
Reportable Instances of Noncompliance*****FINDING: 03-CFC-10: The Cabinet For Families And Children Should Disburse  
Child Support Grant Funds In Compliance With Federal Requirements**

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Federal Program: CFDA 93.563 – Child Support Enforcement  
Federal Agency: U.S. Department of Health and Human Services  
Pass-Through Agency: Not Applicable  
Compliance Area: Activities Allowed/Unallowed  
Amount of Questioned Costs: None

We tested FY 03 Child Support Enforcement grant expenditures and found that CFC advanced funds to contractors that perform child support case services. Specifically, seven (7) out of 59 expenditures examined were payments made to contractors that had not yet incurred costs, nor submitted documentation of actual expenses for reimbursement. The state processes the advances in the federal fund and is reimbursed by the federal government. CFC then recoups advanced funds over the course of the fiscal year by reducing subsequent billings received from contractors.

CFC is not disbursing Child Support Enforcement grant funds in compliance with federal requirements.

The OMB Circular A-133, Compliance Supplement Part 3, Section B, Allowable Costs/Cost Principles, Compliance Audit Procedures for State, Local, and Indian Tribal Governments, states in part that allowable costs “represent charges for actual costs, not budgeted or projected amounts.”

We contacted DHHS Administration for Children and Families (ACF) Frequently Asked Questions Support staff and they stated “it is fine for the state to advance the funds to the contractor, but they cannot claim federal reimbursement until they have an invoice for the actual expenditure for the services. The federal regulations and OMB Circular would override the state's contractual procedures.”

**Recommendation**

We recommend that CFC either no longer advance Child Support Enforcement grant funds to contractors from the state’s federal fund or obtain a waiver from the federal government permitting the state to advance funds to contractors.

**Management’s Response and Corrective Action Plan**

*We did not realize that state funds were not being used for the installment payments to child support contracting officials. In the future we will either stop the practice of installment payments or issue payments utilizing state funds only.*



## FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### *Other Matters Relating to Internal Controls and/or Instances of Noncompliance*

#### **FINDING: 03-CFC-9: The Cabinet For Families And Children Should Review The ACF-199 Report To Ensure Reasonableness And Accuracy Before Submission To The Federal Government**

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Federal Program: CFDA 93.558 - Temporary Assistance for Needy Families

Federal Agency: U.S. Department of Health and Human Services

Pass-Through Agency: Not Applicable

Compliance Area: Reporting

Amount of Questioned Costs: None

The provisions of the Personal Responsibility and Work Opportunity Act of 1996, the Social Security Act, and 45 CFR Part 265, require states to collect data on a monthly basis and report data to the secretary of the Department of Health and Human Services on a quarterly basis. The ACF-199 *TANF Data Report* is a performance report that is utilized to meet this requirement. This report includes disaggregated case record information on the families receiving assistance, families no longer receiving assistance, and families applying for assistance from programs funded with TANF funds.

During our FY 03 audit testing, we requested a report of individuals receiving childcare assistance for a randomly selected month. When the report was completed, we questioned the amounts for reasonableness. For example, the report stated that one (1) person received \$2,100 of assistance for one (1) month when they actually only received \$483. Other examples include a client who was listed as receiving \$6,072 of assistance for the month selected and another client who reportedly received \$2,700 of assistance for the same month. These incorrect amounts were submitted to the DHHS on the ACF-199 during FY 03.

Failure to submit an accurate ACF-199 could result in the state receiving a reporting penalty.

Federal Regulations at 45 CFR 265.7 state:

- (a) Each State's quarterly reports (the TANF Data Report, the TANF Financial Report (or Territorial Financial Report), and the SSP-MOE Data Report) must be complete and accurate and filed by the due date.
- (b) For a disaggregated data report, "a complete and accurate report" means that:
  - (1) The reported data accurately reflect information available to the State in case records, financial records, and automated data systems; and,
  - (2) The data are free from computational errors and are internally consistent (e.g., items that should add to totals do so).

Federal Regulations at 45 CFR 265.8(a)(2) also states, "the federal government may take action to impose a penalty if "the disaggregated data in the TANF Data Report is not accurate or does not include all the data required . . ."

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*****Other Matters Relating to Internal Controls and/or Instances of Noncompliance*****FINDING: 03-CFC-9: The Cabinet For Families And Children Should Review The ACF-199 Report To Ensure Reasonableness And Accuracy Before Submission To The Federal Government (Continued)**

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As stated in 45 CFR 262.1(a)(3), “A penalty of four percent of the adjusted SFAG for each quarter a State fails to submit an accurate, complete and timely required report.”

**Recommendation**

We recommend that CFC staff responsible for the ACF-199 review the report for reasonableness and accuracy prior to submission to the DHHS.

**Management's Response and Corrective Action Plan**

*The findings by the Auditor's office were correct. A problem was found with the amount of childcare on the Kentucky Child Care Management System (KCCMS) file that is used to complete the ACF-199, appendix A. A mathematical calculation had caused the error. To correct the problem ongoing and retroactive for the federal fiscal year 2003, a correction was needed to the KCCMS process. The lead analyst over KCCMS wrote a GOT-F001, # F0012044 on 2/19/04. A programmer from GOT corrected the code. All 12 months of the federal fiscal year were reproduced to correct the problem retroactively. The rerun of the KCCMS file was completed 2/27/04. The childcare information was extracted and corrected and the TANF datasets were completed by a programmer on 2/28/04. The four (4) quarterly TANF datasets were transmitted to the Department of Health and Human Services on March 4, 2004. OTS personnel received a transmission report on March 5, 2004, advising that all four (4) datasets were accepted.*

*Currently, OTS personnel validate STEP data that is used for the ACF-199. They receive control totals and an 88/89-Participation Report for each month of the quarter to review at the first of the month in which the TANF report is due. A summary report - HRKIMR-2G of Appendix A and HRKIMR-2F of Appendix B is created monthly for Policy and Program Support Branch staff on RMDS.*

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding</b>	<b>CFDA Number</b>	<b>Questioned Costs</b>	<b>Comments</b>
<b><u>Reportable Conditions</u></b>					
<i>(1) Audit findings that have been fully corrected:</i>					
FY 02	02-CFC-1	The Cabinet For Families And Children Should Strengthen Security Surrounding Administrator Accounts	N/A	0	Resolved during FY 03.
<i>(2) Audit findings not corrected or partially corrected:</i>					
FY 02	02-CFC-2	The Cabinet For Families And Children's Password Policy Should Be Consistently Applied To All Local Area Network Servers	NA	0	Specific issues improved from the prior year, but additional occurrences were identified for certain servers, so the same general issues existed.  See 03-CFC-1
FY 02	02-CFC-12	The Cabinet For Families And Children Should Develop A Policy And Procedures Manual To Ensure Subrecipient Monitoring Is Properly Performed	17.253 93.563 93.575	0	CFC has made progress toward complying with audit recommendations; however, exceptions were still noted.  See 03-CFC-6
FY02	02-CFC-14	The Cabinet For Families And Children Should Monitor Cases Closely So An Ineligible Recipient Does Not Receive Additional Months Of Benefits	93.558	\$2,616	FY 03 testing indicated this weakness still exists.  See 03-CFC-7
		Total Questioned Costs		<u>\$2,616</u>	
FY 02	02-CFC-15	The Cabinet For Families And Children Should Maintain And Produce Records To Adequately Support Expenditures	93.558	0	FY 03 testing revealed missing case files and documentation. CFC has made significant improvement, but weaknesses still exist.  See 03-CFC-8

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding</b>	<b>CFDA Number</b>	<b>Questioned Costs</b>	<b>Comments</b>
<b><u>Reportable Conditions (Continued)</u></b>					
<i>(2) Audit findings not corrected or partially corrected:</i>					
FY 01	01-CFC-1	The Cabinet For Families And Children Should Improve Local Area Network Server Security And Consistently Apply Policies To All Servers	NA	0	Specific issues improved from the prior year, but additional occurrences were identified for certain servers, so the same general issues existed.  See 03-CFC-1
FY 01	01-CFC-2	The Cabinet For Families And Children Should Maintain And Produce Records To Adequately Support Expenditures	93.558	0	FY 03 testing revealed missing case files and documentation. CFC has made significant improvement, but weaknesses still exist.  See 03-CFC-8
FY 01	01-CFC-4	The Cabinet For Families And Children Should Develop A Policies And Procedures Manual To Ensure Subrecipient Monitoring Is Properly Performed	17.253 93.558 93.563 93.568 93.575 93.596	0	CFC has made progress toward complying with audit recommendations; however, exceptions were still noted.  See 03-CFC-6
FY 00	00-CFC-12	The Cabinet For Families And Children Should Impose Sanctions On Subrecipients Who Fail To Meet Audit Requirements Set Forth By OMB Circular A-133	93.558 93.563 93.575 93.596	0	CFC has made progress toward complying with audit recommendations; however, exceptions were still noted.  See 03-CFC-6
<i>(3) Corrective action taken is significantly different from corrective action previously reported:</i>					
No findings for this section.					
<i>(4) Audit finding is no longer valid and does not warrant further action:</i>					
FY 97	98-CFC-27	The Cabinet For Families And Children Should Maintain Records To Support Payments To Participants In The Kentucky Works Program	93.558	0	Questioned costs were resolved in FY 01.
FY 98				777	
FY 01				(777)	
		Total Questioned Costs		<u>\$0</u>	

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding</b>	<b>CFDA Number</b>	<b>Questioned Costs</b>	<b>Comments</b>
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**Material Weaknesses/Noncompliances**

*(1) Audit findings that have been fully corrected:*

No findings for this section.

*(2) Audit findings not corrected or partially corrected:*

No findings for this section

*(3) Corrective action taken is significantly different from corrective action previously reported:*

No findings for this section

*(4) Audit finding is no longer valid and does not warrant further action:*

No findings for this section.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding</b>	<b>CFDA Number</b>	<b>Questioned Costs</b>	<b>Comments</b>
<b><u>Other Matters</u></b>					
<i>(1) Audit findings that have been fully corrected:</i>					
FY 02	02-CFC-6	The Cabinet For Families And Children Should Remove The Simple Network Management Protocol Service Or Change The Default Community String	N/A	0	Resolved during FY 03.
FY 02	02-CFC-8	The Cabinet For Families and Children Should Improve Disaster Recovery Procedures	N/A	0	Resolved during FY 03.
FY 02	02-CFC-9	The Cabinet For Families And Children Should Strengthen The Logical Security Procedures Over The System Tracking For Employability Programs	N/A	0	Due to improvements, this finding is downgraded to a verbal finding for FY 03. This finding is no longer required to be reported under <i>Government Auditing Standards</i> .
FY 02	02-CFC-11	The Cabinet For Families and Children Should Correctly Code Expenditures To Area Development Districts	N/A	0	Resolved during FY 03.
FY 02	02-CFC-13	The Cabinet For Families And Children Should Maintain Medical Support Information In The Kentucky Automated Support And Enforcement System	93.563	0	Resolved during FY 03.
<i>(2) Audit findings not corrected or partially corrected:</i>					
FY 02	02-CFC-3	The Cabinet For Families And Children Should Ensure All User Accounts On Its Agency Servers Are Necessary	N/A	0	Improvements were made during the fiscal year, but issues still exist.  See 03-CFC-2
FY 02	02-CFC-4	The Cabinet For Families And Children Should Ensure That Security Information Leakage Concerning Agency Devices Is Minimized	N/A	0	Improvements were made during the fiscal year, but issues still exist.  See 03-CFC-4

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding</b>	<b>CFDA Number</b>	<b>Questioned Costs</b>	<b>Comments</b>
<b><u>Other Matters (Continued)</u></b>					
<i>(2) Audit findings not corrected or partially corrected:</i>					
FY 02	02-CFC-5	The Cabinet For Families And Children Should Ensure That All Open Ports On Agency Machines Have A Business-Related Purpose	N/A	0	Improvements were made during the fiscal year, but issues still exist  See 03-CFC-5
FY 02	02-CFC-10	The Cabinet For Families and Children Should Ensure System Access Request Forms Are Readily Available			Issues noted in this comment were combined with others noted during FY 03.  See 03-CFC-3
<i>(3) Corrective action taken is significantly different from corrective action previously reported:</i>					
No findings for this section.					
<i>(4) Audit finding is no longer valid and does not warrant further action:</i>					
FY 02	02-CFC-7	The Cabinet For Families and Children Should Ensure Computer Equipment Is Properly Inventoried And Insured	N/A	0	No longer valid. Corrective action taken by CFC to resolve this finding.

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